

May 12, 2008

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1. David Higginbotham	21-25 26 27-28	---	25-27
2. Steve Hutchings	31-32	---	---
3. Terry Burns	34-38	---	---

  
MR

May 12, 2008

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 5-12-08-1 Docket No. 5-12-08-2 Docket No. 5-12-08-3 Docket No. 5-12-08-4 Docket No. 5-12-08-5 Docket No. 5-12-08-6 Docket No. 5-12-08-7 Docket No. 5-12-08-8 Docket No. 5-12-08-9 Docket No. 5-12-08-10 Docket No. 5-12-08-11 Docket No. 5-12-08-12 Docket No. 5-12-08-14 Docket No. 5-12-08-15 Docket No. 5-12-08-16	18	18
Board Exhibit	Postings of May 12 & 13, 2008, Board meetings on Website of Secretary of State	18	18
Board Exhibit	Posting of May 12, 2008, Emergency meeting on Website Of Secretary of State	20	20
Board Exhibit	Hearing Officer Order	18	18
Exhibit A (Item 7)	4/22/08 letter to William T. Watson (S. Marvin Rogers)	20	20
Exhibit B (Item 7)	Affidavit of notice (William T. Watson)	20	20

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 7)	Structure map, top Millerella marker, Coal Fire Creek Field (David Higginbotham)	25	25
Exhibit 2 (Item 7)	Isopach map of Carter sand permeability, Coal Fire Creek Field (David Higginbotham)	25	25
Exhibit 3 (Item 7)	Letter, affidavit of confidentiality with attached seismic (David Higginbotham)	27	27
Exhibit 4 (Item 7)	Well location plat Deerfield McCrary 27-15 No. 1, Coal Fire Creek Field (David Higginbotham)	25	25
Exhibit 5 (Item 7)	Fault plane map, Deerfield McCrary 27-15 No. 1, Coal Fire Creek Field (David Higginbotham)	25	25
Exhibit 1 (Item 10)	Affidavit of testimony with attachments (John A. Pirraglia)	28	29
Exhibit 2 (Item 10)	Form OGB-1, Bay Gas Storage Cavern Well #3, Bay Gas Salt Dome Gas Storage Facility No. 31 (Conrad Armbrecht)	28	29

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Item 10)	Form OGB-1D, Bay Gas Storage Cavern Well #3, Bay Gas Salt Dome Gas Storage Facility No. 31 (Conrad Armbrrecht)	28	29
Exhibit 4 (Item 10)	3/26/08 letter to Board (Conrad P. Armbrrecht)	28	29
Exhibit 5 (Item 10)	3/27/08 letter to Conrad P. Armbrrecht (Berry H. (Nick) Tew, Jr.)	28	29
Exhibit A (Item 11)	Affidavit of testimony (Cory J. Ezelle)	29	29
Exhibit B (Item 11)	Affidavit of personal notice (Conrad P. Armbrrecht)	29	29
Exhibit 1 (Item 11)	Structure map, top Smackover formation, Little Cedar Creek Field (Cory Ezelle)	29	29
Exhibit 2 (Item 11)	Type log, Craft Ralls 5-8 No. 1, Little Cedar Creek Field (Cory Ezelle)	29	29
Exhibit 3 (Item 11)	Type log, Craft Ralls 4-5 No. 1, Little Cedar Creek Field (Cory Ezelle)	29	29

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 4 (Item 11)	Cross section A-A', Little Cedar Creek Field (Cory Ezelle)	29	29
Exhibit 5 (Item 11)	Two Form OGB-9, Craft Ralls 5-8 No. 1, Craft Ralls 4-5 No. 1, Little Cedar Creek Field (Cory Ezelle)	29	29
Exhibit 1 (Item 15)	Affidavit of notice (William T. Watson)	30	30
Exhibit 2 (Item 15)	Affidavit of testimony with attached plat (Robert T. Wood)	32	32
Exhibit A (Item 17)	Affidavit of notice (William T. Watson)	33	33
Exhibit B (Item 18)	Affidavit of notice (William T. Watson)	33	33
Exhibit C (Item 19)	Affidavit of notice (William T. Watson)	33	33
Exhibit 1 (Items 17, 18 & 19)	Map of geology of Alabama Blount County pilot area (Terry Burns)	37	37
Exhibit 2 (Items 17, 18 & 19)	Well location plat, Moon 20-05-06, NW/4 of Sec. 20, T12S, R1E, Blount County, Alabama. (Terry Burns)	37	37

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EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Items 17, 18 & 19)	Structure map, Chattanooga shale NW/4 of Sec. 20, T12S, R1E, Blount County, Alabama, (Terry Burns)	37	37
Exhibit 4 (Items 17, 18 & 19)	SW-NE schematic of Moon 20-05-06 with lateral into Chattanooga shale, Blount County, Alabama (Terry Burns)	37	37
Exhibit 5 (Items 17, 18 & 19)	Well location plat, Fallin 30-07-03, NE/4 of Sec. 30, T12S, R1E, Blount County, Alabama (Terry Burns)	38	38
Exhibit 1 (Item 21)	5/12/08 letter to Board (John Foster Tyra)	38	38

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STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

May 12, 2008

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 12<sup>th</sup> day of May, 2008.

BEFORE

Mr. Marvin Rogers..... Attorney

STAFF

Dr. Berry H. Tew, Jr. .... Secretary and Supervisor

Dr. David E. Bolin ..... Deputy Director

Mr. Jay H. Masingill ..... Assistant Supervisor

Mr. Richard Raymond..... Assistant Supervisor

Mr. Douglas Hall..... Geologist

Mr. Butch Gregory ..... Engineer

Mr. Tom Sexton ..... Geologist

Mr. Randy Oglesby ..... Geologist

May 12, 2008

APPEARANCES

1  
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16  
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18

NAME	REPRESENTING
1. Steve Hutchings Mobile, AL	High Mount Black Warrior Basin, LLC
2. Tom Watson Tuscaloosa, AL	----
3. Doug Tucker Tuscaloosa, AL	---
4. Terry Burns Tuscaloosa, AL	GeoMet, Inc.
5. David Higginbotham Tuscaloosa, AL	Land and Natural Resource Development, Inc.



(The hearing was convened at 10:00 a.m. on  
Monday, May 12, 2008, at Tuscaloosa, Alabama.)

MR. ROGERS: This hearing is in session. Dr. Tew, have the items to be heard today  
been properly noticed?

DR. TEW: The items to be heard today have been properly noticed. An agenda for  
today's meeting has been transmitted to the recording secretary.

AGENDA  
STATE OIL AND GAS BOARD OF ALABAMA  
BOARD MEETING  
MAY 12 & 13, 2008

The State Oil and Gas Board of Alabama will hold its regular meeting at 10:00  
a.m. on Monday, May 12 and Tuesday, May 13, 2008, in the Board Room of the  
State Oil and Gas Board, Walter B. Jones Hall, University of Alabama Campus,  
420 Hackberry Lane, Tuscaloosa, Alabama, to consider the following item(s):

1. DOCKET NO. 9-5-07-5

Continued petition by SUNDOWN ENERGY, L.P., a foreign limited partnership  
authorized to do and doing business in the State of Alabama, requesting the State  
Oil and Gas Board to enter an order approving the reformation of a 40-acre wildcat  
drilling unit for the Weyerhaeuser 36-12 No. 1 Well, Permit No. 15312, consisting  
of the Northwest Quarter of the Southwest Quarter of Section 36, Township 16  
South, Range 16 West, Lamar County, Alabama, to a 320-acre production unit in the  
McGee Lake Field consisting of the South Half of Section 36, Township 16 South,  
Range 16 West, Lamar County, Alabama.

This petition is filed as a companion to a petition bearing Docket No. 9-5-07-06  
requesting approval of an exceptional location for the referenced well.

2. DOCKET NO. 9-5-07-6

Continued petition by SUNDOWN ENERGY, L.P., a foreign limited partnership  
authorized to do and doing business in the State of Alabama, requesting the State  
Oil and Gas Board to enter an order approving an exceptional location for the  
Weyerhaeuser 36-12 No. 1 Well, Permit No. 15312, on a proposed reformed 320-  
acre production unit consisting of the South Half of Section 36, Township 16 South,  
Range 16 West, Lamar County, Alabama, in the McGee Lake Field, as an

1 exception to Rule 3(b) of the Special Field Rules for said Field which requires  
2 that wells be located at least 660 feet from every exterior boundary of the drilling  
3 unit. The location of the referenced well on said proposed reformed 320-acre unit  
4 is 910 feet from the North line and 330 feet from the West line of said 320-acre  
5 unit and, as such, will be an exception to said Rule 3(b).  
6

7 This petition is filed as a companion to a petition bearing Docket No. 9-5-07-05  
8 requesting approval of the reformation of a 40-acre wildcat drilling unit for the  
9 referenced well to a 320-acre production unit in the McGee Lake Field.  
10

11 3. DOCKET NO. 3-12-08-14

12 Continued petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY  
13 OF COLORADO, a Colorado limited liability company, authorized to do and  
14 doing business in the State of Alabama, requesting the State Oil and Gas Board to  
15 enter an order reforming the unit for the CLC 24-5-18, Permit No. 11864-C, from  
16 an 80-acre unit consisting of the West Half of the Northwest Quarter of Section  
17 24, Township 19 South, Range 9 West, Tuscaloosa County, Alabama in the  
18 Deerlick Creek Coal Degasification Field, to an 40-acre unit consisting of the  
19 Southwest Quarter of the Northwest Quarter of Section 24, Township 19 South,  
20 Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal  
21 Degasification Field. Although Petitioner requests the Board to eliminate certain  
22 lands from the present spacing unit, Petitioner proposes to drill another coalbed  
23 methane well in the lands proposed to be eliminated from the current unit by  
24 formation of an additional 40 acre unit comprised of the Northwest Quarter of the  
25 Northwest Quarter of said Section 24, Township 19 South, Range 9 West,  
26 Tuscaloosa County, Alabama.  
27

28 4. DOCKET NO. 3-12-08-16

29 Continued petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY  
30 OF COLORADO, a Colorado limited liability company, authorized to do and  
31 doing business in the State of Alabama, requesting the State Oil and Gas Board to  
32 enter an order reforming the unit for the RGGS 30-16-59, Permit No. 13953-C,  
33 from an 80-acre unit consisting of the East Half of the Southeast Quarter of  
34 Section 30, Township 19 South, Range 5 West, Jefferson County, Alabama in the  
35 Oak Grove Coal Degasification Field, to an 40-acre unit consisting of the  
36 Southeast Quarter of the Southeast Quarter of Section 30, Township 19 South,  
37 Range 5 West, Jefferson County, Alabama, in the Oak Grove Coal Degasification  
38 Field. Although Petitioner requests the Board to eliminate certain lands from the  
39 present spacing unit, Petitioner proposes to drill another coalbed methane well in  
40 the lands proposed to be eliminated from the current unit by formation of an  
41 additional 40 acre unit comprised of the Northeast Quarter of the Southeast

Quarter of said Section 30, Township 19 South, Range 5 West, Jefferson County, Alabama.

5. DOCKET NO. 3-12-08-17

Continued petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY OF COLORADO, a Colorado limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order reforming the unit for the West 33-12-49, Permit No. 12840-C, from an 80-acre unit consisting of the Northwest Quarter of the Southwest Quarter and the Southwest Quarter of the Northwest Quarter of Section 33, Township 19 South, Range 9 West, Tuscaloosa County, Alabama in the Deerlick Creek Coal Degasification Field, to an 40-acre unit consisting of the Northwest Quarter of the Southwest Quarter of Section 33, Township 19 South, Range 9 West, Tuscaloosa County, Alabama, in the Deerlick Creek Coal Degasification Field. Although Petitioner requests the Board to eliminate certain lands from the present spacing unit, Petitioner proposes to drill another coalbed methane well in the lands proposed to be eliminated from the current unit by formation of an additional 40 acre unit comprised of the Southwest Quarter of the Northwest Quarter of said Section 33, Township 19 South, Range 9 West, Tuscaloosa County, Alabama.

6. DOCKET NO. 4-14-08-2

Continued petition by SUNDOWN ENERGY, L.P., a foreign limited partnership authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order amending Rule 1 of the Special Field Rules for the Christian Chapel Gas Field to add the West Half of Section 12, Township 16 South, Range 15 West, Lamar County, Alabama, to the field limits of said Field.

Petitioner is also requesting that the production unit for the J.W. Newman et al 12-13 #1 Well, Permit No. 11607-A, be made permanent.

7. DOCKET NO. 4-14-08-6

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving an exceptional location for the proposed Deerfield McCrary 27-15 #1 Well as an exception to Rule 3(b) of the Special Field Rules for the Coal Fire Creek Field, Pickens County, Alabama. Petitioner proposes to drill said well on a 320-acre unit consisting of the East Half of Section 27, Township 18 South, Range 14 West, Pickens County, Alabama, at a location 2,350 feet from the East line and 470 feet from the South line of said Section 27. Rule 3(b) requires that

1 wells drilled in said Field be located at least 660 feet from every exterior  
2 boundary of the drilling unit, and at the proposed location, the referenced well  
3 will be 290 feet from the West line and 470 feet from the South line of the 320-  
4 acre drilling unit and, as such, will be an exception to said Rule.  
5

6 8. DOCKET NO. 4-14-08-7

7 Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT,  
8 INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an  
9 order approving an exception to Rule 3(b) of the Special Field Rules for the Coal  
10 Fire Creek Field, Pickens County, Alabama, for the exceptional location of the  
11 Cunningham 16-12 #2 Well, Permit No. 5881. Petitioner proposes to re-enter and  
12 complete said well on a 320-acre unit consisting of the West Half of Section 16,  
13 Township 18 South, Range 14 West, Pickens County, Alabama, at a location  
14 2,300 feet from the South line and 330 feet from the West line of said Section 16.  
15 Said Rule 3(b) requires that wells drilled in said Field be located at least 660 feet  
16 from every exterior boundary of the drilling unit, and the proposed location of the  
17 referenced well is only 330 feet from the West line of the 320-acre drilling unit  
18 for said well.  
19

20 In the proposed re-entry, Petitioner desires to test the Benton Sand Gas Pool as  
21 defined in the Special Field Rules for the Coal Fire Creek Field and also test the  
22 Tuscumbia and Millerella Sands. Excluded from the re-entry tests are the Carter,  
23 Lewis and Fayette Sand Gas Pools. There are two producing wells in the said  
24 West Half of Section 16, one producing from the Lewis Sand Gas Pool and  
25 another producing from the Fayette Sand Gas Pool with one well in the Carter  
26 Sand Gas pool that is no longer producing.  
27

28 9. DOCKET NO. 4-14-08-8A

29 Continued amended petition by SUNDOWN ENERGY, L.P., a foreign limited  
30 partnership authorized to do and doing business in the State of Alabama,  
31 requesting the State Oil and Gas Board to enter an order establishing a new gas  
32 field to be known as the North Kennedy Field, or by such other name as the Board  
33 deems appropriate and to adopt Special Field Rules therefor. The proposed field, as  
34 underlain by the Lewis and Millerella Sand Gas Pools, consists of the South Half of  
35 Section 30, Township 16 South, Range 14 West, Lamar County, Alabama.  
36

37 The Lewis Sand Gas Pool in the proposed North Kennedy Field should be defined as  
38 those strata productive of hydrocarbons in the interval between 4,898 feet and 4,922  
39 feet in the Miller #30-14 No. 1 Well, Permit No. 4392-A, located on a 320-acre unit  
40 consisting of the South Half of Section 30, Township 16 South, Range 14 West,

1 Lamar County, Alabama, in the proposed North Kennedy Field, as indicated on the  
2 Array Resistivity Log of the said well.

3  
4 The Millerella Sand Gas Pool in the proposed North Kennedy Field should be  
5 defined as those strata productive of hydrocarbons in the interval between 4,359 feet  
6 and 4,369 feet in the Miller #30-14 No. 1 Well, Permit No. 4392-A, located on the  
7 above-described 320-acre unit.

8  
9 Petitioner is requesting well spacing of 320 acres, commingling of production from  
10 the Millerella and Lewis Sand Gas Pools, and is also requesting the establishment of  
11 the permanent production unit as described above for the Miller #30-14 No. 1 Well  
12 and the establishment of allowables for said field.

13  
14 10. DOCKET NO. 5-12-08-1

15 Petition by BAY GAS STORAGE COMPANY, LTD. ("Petitioner"), an Alabama  
16 limited partnership, requesting that the State Oil and Gas Board of Alabama  
17 ("Board") enter an order amending the Special Gas Storage Rules for Bay Gas  
18 Salt Dome Gas Storage Facility #3 at McIntosh, which is located in the North  
19 Half of the Northwest Quarter of Section 29, T3N, R1E, Washington County,  
20 Alabama and which has a buffer zone that extends into the Southwest Quarter of  
21 Section 37, T4N, R1E and the Northwest Quarter of Section 29, T3N, R1E,  
22 Washington County, Alabama; and, in particular, amending Rule 1 of said Special  
23 Gas Storage Rules to change the description of the Cavity Site and of Well No. 3  
24 as described therein, all as authorized by and in accordance with the provisions of  
25 Ala. Code Sections 9-17-150 et seq. and State Oil and Gas Board of Alabama  
26 Administrative Code Rules 400-6-1 et seq.

27  
28 11. DOCKET NO. 5-12-08-2

29 Petition by SKLAR EXPLORATION COMPANY, LLC, a Louisiana limited  
30 liability company authorized to do and doing business in the State of Alabama,  
31 requesting the State Oil and Gas Board of Alabama to enter an order amending  
32 Rule 1 of the Special Field Rules for the Little Cedar Creek Field to add the  
33 following described parcels to the field limits of said field: the Northwest Quarter  
34 of Section 4 and the Northeast Quarter of Section 5, Township 4 North, Range 13  
35 East, Conecuh County, Alabama. This petition is filed pursuant to Ala. Code  
36 Sections 9-17-1, et seq. and Rules 400-1, et seq. of the State Oil and Gas Board of  
37 Alabama Administrative Code.

12. DOCKET NO. 5-12-08-3

Petition by GEOMET, INC., a Delaware corporation, requesting the State Oil and Gas Board to enter an order approving a 160-acre wildcat drilling unit consisting of the Southwest Quarter of Section 5, Township 12 South, Range 3 West, Cullman County, Alabama, for the drilling of a horizontal well, in accordance with Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative Code which provides that a well may be drilled on a drilling unit consisting of a governmental quarter section containing approximately 160 acres. This petition is filed as a companion to a petition bearing Docket No. 5-12-08-4 requesting approval of an exceptional location for the referenced horizontal well on the proposed 160-acre wildcat drilling unit and a petition bearing Docket No. 5-12-08-5 requesting an exception to Rule 400-1-4-.09(2)(c) pertaining to the setting and cementing of production casing.

13. DOCKET NO. 5-12-08-4

Petition by GEOMET INC., a Delaware corporation, requesting the State Oil and Gas Board to enter an order approving an exceptional location for a horizontal well to be drilled on a 160-acre wildcat drilling unit consisting of the Southwest Quarter of Section 5, Township 12 South, Range 3 West, Cullman County, Alabama, at a location no closer than 330 feet from every exterior boundary of the 160-acre wildcat drilling unit, as an exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative Code which requires that wells be drilled at least 660 feet from every exterior boundary of the drilling unit. Petitioner proposes to drill a vertical well into the Chattanooga Shale, evaluate the formation, and drill horizontally in the Chattanooga Shale such that the horizontal well will be no closer than 330 feet from every exterior boundary of the drilling unit, and, as such, will be an exception to said Rule.

The petition is filed as a companion to a petition bearing Docket No. 5-12-08-3 requesting approval of a 160-acre wildcat drilling unit and a petition bearing Docket No. 5-12-08-5 requesting an exception to Rule 400-1-4-.09(2)(c) pertaining to the setting and cementing of production casing.

14. DOCKET NO. 5-12-08-5

Petition by GEOMET, INC., a Delaware corporation, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 400-1-4-.09(2)(c) of the State Oil and Gas Board of Alabama Administrative Code pertaining to the requirements for setting and cementing production casing for a well to be drilled horizontally on a 160-acre wildcat drilling unit consisting of the Southwest Quarter of Section 5, Township 12 South, Range 3 West, Cullman County, Alabama.

1 This petition is filed as a companion to a petition bearing Docket No. 5-12-08-3  
2 requesting approval of the above-described 160-acre wildcat drilling unit and a  
3 petition bearing Docket No. 5-12-08-4 requesting approval of an exceptional  
4 location for a well to be drilled horizontally on the proposed 160-acre wildcat  
5 drilling unit.  
6

7 15. DOCKET NO. 5-12-08-6

8 Petition by HIGHMOUNT BLACK WARRIOR BASIN LLC, a foreign limited  
9 liability company, authorized to do and doing business in the State of Alabama, as  
10 Successor in Interest to DOMINION BLACK WARRIOR BASIN, INC.,  
11 requesting the State Oil and Gas Board to enter an order reforming the unit for the  
12 Rice 01-10-1065 Well, Permit No. 14135-C, from an 80-acre unit consisting of  
13 the North Half of the Southeast Quarter of Section 1, Township 18 South, Range  
14 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification  
15 Field to a 40-acre unit consisting of the Northwest Quarter of the Southeast  
16 Quarter of said Section 1.  
17

18 Although Petitioner requests the Board to eliminate certain lands from the present  
19 spacing unit, Petitioner proposes to drill another coalbed methane well in the  
20 lands proposed to be eliminated.  
21

22 16. DOCKET NO. 5-12-08-7

23 Petition by SUNDOWN ENERGY, L.P., a foreign limited partnership authorized  
24 to do and doing business in the State of Alabama, requesting the State Oil and  
25 Gas Board to amend Rule 2 of the Special Field Rules for the Star Gas Field, Lamar  
26 County, Alabama, to add the Benton Sand Gas Pool, to be construed to mean those  
27 strata of the Benton Sand productive of hydrocarbons in the interval between 3,393  
28 feet and 3,402 feet in the James M. Cole 17-12 #1 Well, Permit No. 2870-A, located  
29 1,995 feet from the South line and 735 feet from the West line of Section 17,  
30 Township 16 South, Range 15 West, Lamar County, Alabama, as indicated on the  
31 Array Induction Log of said well, and including those strata productive of  
32 hydrocarbons which can be correlated therewith.  
33

34 17. DOCKET NO. 5-12-08-8

35 Petition by GEOMET, INC., a Delaware corporation, requesting the State Oil and  
36 Gas Board to enter an order approving a 160-acre wildcat drilling unit consisting  
37 of the Northwest Quarter of Section 20, Township 12 South, Range 1 East, Blount  
38 County, Alabama, for the drilling of a horizontal well, in accordance with Rule  
39 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative  
40 Code which provides that a well may be drilled on a drilling unit consisting of a  
41 governmental quarter section containing approximately 160 acres.

1 This petition is filed as a companion to a petition bearing Docket No. 5-12-08-9  
2 requesting approval of an exceptional location for the referenced horizontal well  
3 on the proposed 160-acre wildcat drilling unit and a petition bearing Docket No.  
4 5-12-08-10 requesting an exception to Rule 400-1-4-.09(2)(c) pertaining to the  
5 setting and cementing of production casing.  
6

7 18. DOCKET NO. 5-12-08-9

8 Petition by GEOMET INC., a Delaware corporation, requesting the State Oil and  
9 Gas Board to enter an order approving an exceptional location for a horizontal  
10 well to be drilled on a 160-acre wildcat drilling unit consisting of the Northwest  
11 Quarter of Section 20, Township 12 South, Range 1 East, Blount County,  
12 Alabama, at a location no closer than 330 feet from every exterior boundary of the  
13 160-acre wildcat drilling unit, as an exception to Rule 400-1-2-.02(2)(b) of the  
14 State Oil and Gas Board of Alabama Administrative Code which requires that  
15 wells be drilled at least 660 feet from every exterior boundary of the drilling unit.  
16 Petitioner proposes to drill a vertical well into the Chattanooga Shale, evaluate the  
17 formation, and drill horizontally in the Chattanooga Shale such that the horizontal  
18 well will be no closer than 330 feet from every exterior boundary of the drilling  
19 unit, and, as such, will be an exception to said Rule.  
20

21 The petition is filed as a companion to a petition bearing Docket No. 5-12-08-8  
22 requesting approval of a 160-acre wildcat drilling unit and a petition bearing  
23 Docket No. 5-12-08-10 requesting an exception to Rule 400-1-4-.09(2)(c)  
24 pertaining to the setting and cementing of production casing.  
25

26 19. DOCKET NO. 5-12-08-10

27 Petition by GEOMET, INC., a Delaware corporation, requesting the State Oil and  
28 Gas Board to enter an order approving an exception to Rule 400-1-4-.09(2)(c) of  
29 the State Oil and Gas Board of Alabama Administrative Code pertaining to the  
30 requirements for setting and cementing production casing for a well to be drilled  
31 horizontally on a 160-acre wildcat drilling unit consisting of the Northwest  
32 Quarter of Section 20, Township 12 South, Range 1 East, Blount County,  
33 Alabama.  
34

35 This petition is filed as a companion to a petition bearing Docket No. 5-12-08-8  
36 requesting approval of the above-described 160-acre wildcat drilling unit and a  
37 petition bearing Docket No. 5-12-08-9 requesting approval of an exceptional  
38 location for a well to be drilled horizontally on the proposed 160-acre wildcat  
39 drilling unit.



20. DOCKET NO. 5-12-08-11

Petition by SOUTHVUE OPERATING, LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in a well to be drilled on a 40-acre unit consisting of the Southwest Quarter of the Northeast Quarter of Section 2, Township 10 North, Range 4 West, Choctaw County, Alabama, in the Gilbertown Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

21. DOCKET NO. 5-12-08-12

Petition by SOUTHVUE OPERATING, LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in a well to be drilled on a 40-acre unit consisting of the Southwest Quarter of the Northeast Quarter of Section 32, Township 11 North, Range 4 West, Choctaw County, Alabama, in the Gilbertown Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

22. DOCKET NO. 5-12-08-13

Petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order classifying the following wells all located in the Foshee Field, Escambia County, Alabama, as temporarily abandoned for a period of one (1) year:

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
5213	A.T.I.C. 34-9 #1	S34, T2N-R8E
5335	Culpepper 34-7 #1	S34, T2N-R8E
5167	A.T.I.C. 35-13 #2	S35, T2N-R8E
5062-A	A.T.I.C. 35-14 #1	S35, T2N-R8E

1 Said wells are temporarily abandoned. Petitioner is requesting the Board to  
2 classify said wells as temporarily abandoned for a period of one (1) year in  
3 accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama  
4 Administrative Code because all of the wells have future utility in Durango  
5 Operating, LLC's operations in Foshee Field, Escambia County, Alabama and  
6 should not be plugged.  
7

8 23. DOCKET NO. . 5-12-08-14

9 Petition by DURANGO OPERATING, LLC, a Mississippi limited liability  
10 company, authorized to do business in the State of Alabama, requesting the State  
11 Oil and Gas Board to enter an order classifying the Cedar Creek Land and Timber  
12 Co. 12-9 #1, Permit # 8685, located in Section 12, Township 1 North, Range 8  
13 East in Osaka Field, Escambia County, Alabama, as temporarily abandoned for a  
14 period of one (1) year:  
15

16 Said well is temporarily abandoned. Petitioner is requesting the Board to classify  
17 said well as temporarily abandoned for a period of one (1) year in accordance  
18 with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative  
19 Code because said well has future utility in Durango Operating, LLC's operations  
20 in Osaka Field, Escambia County, Alabama and should not be plugged.  
21

22 24. DOCKET NO. 5-12-08-15

23 Petition by DURANGO OPERATING, LLC, a Mississippi limited liability  
24 company, authorized to do business in the State of Alabama, requesting the State  
25 Oil and Gas Board to enter an order classifying the R. E. Loper et al 12-11 #1,  
26 Permit # 2885, located in Section 12, Township 1 North, Range 8 East in Pollard  
27 Field, Escambia County, Alabama, as temporarily abandoned for a period of one  
28 (1) year:  
29

30 Said well is temporarily abandoned. Petitioner is requesting the Board to classify  
31 said well as temporarily abandoned for a period of one (1) year in accordance  
32 with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative  
33 Code because said well has future utility in Durango Operating, LLC's operations  
34 in Pollard Field, Escambia County, Alabama and should not be plugged.  
35

36 25. DOCKET NO. 5-12-08-16

37 Petition by DURANGO OPERATING, LLC, a Mississippi limited liability  
38 company, authorized to do business in the State of Alabama, requesting the State  
39 Oil and Gas Board to enter an order classifying the following wells all located in  
40 West Foshee Field, Escambia County, Alabama, as temporarily abandoned for a  
41 period of one (1) year:

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
5475	A.T.I.C. 33-7 #3	S33, T2N-R8E
5359	A.T.I.C. 33-8 #1	S33, T2N-R8E
5528	A.T.I.C. Container 33-3 #1	S33, T2N-R8E

Said wells are temporarily abandoned. Petitioner is requesting the Board to classify said wells as temporarily abandoned for a period of one (1) year in accordance with Rule 400- 1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because all of the wells have future utility in Durango Operating, LLC's operations in West Foshee Field, Escambia County, Alabama

#### 26. DOCKET NO. 4-25-06-34

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA requesting Operator, Lower 15 Oil Corporation to show cause why the following abandoned wells located in the Gilbertown Field, Choctaw County, Alabama, and described hereinbelow should not be ordered plugged and abandoned in accordance with Rule 400-1-4-.14 of the State Oil and Gas Board of Alabama Administrative Code relating to Plugging and Abandonment of Wells and the well sites and associated tank battery sites restored in accordance with Rule 400-1-4-.16 of the State Oil and Gas Board of Alabama Administrative Code relating to Restoration of Location. Additionally, the Frank Gibson #1 Well, Permit No. 1071, which is described hereinbelow under Plugged and Abandoned well was plugged and abandoned on August 21, 1997, however the well site has not been restored in accordance with Rule 400-1-4-.16 of the State Oil and Gas Board of Alabama Administrative Code relating to Restoration of Location. Further, the Board is requesting the operator to show cause why sites, such as well sites, production facility sites, and Class II injection facility sites should not be ordered to be brought into compliance with Rule 400-1-4-.10 of the State Oil and Gas Board of Alabama Administrative Code relating to Site Maintenance.

#### East Gilbertown Eutaw Unit Wells & Tank Batteries

<u>Permit No.</u> (Tank Battery No.)	<u>Well Name</u> (Tank Battery)	<u>Location</u>
1280	Mattie Clark #1	S1, T10N, R3W
1293	C. F. Stewart Heirs #1	S1, T10N, R3W
(1293 TB)	(C. F. Stewart Heirs #1)	S1, T10N, R3W
1338	Mattie Clark #3	S1, T10N, R3W
10416	Mattie E. Clark #1-6	S1, T10N, R3W
(1343 TB)	(Abston Jones 1-6)	S1, T10N, R3W

Other Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
1431	Joseph W. Hutchinson, Jr. et al #1	S7, T10N, R3W

Plugged and Abandoned well (well site not restored)

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
1071	Frank Gibson #1	S1, T10N, R3W

## 27. DOCKET NO. 1-31-07-8A

Continued MOTION FOR REHEARING by LOWER 15 OIL CORPORATION, pursuant to the Alabama Administrative Procedure Act, Section 42-22-1 et seq. of the Code of Alabama (1975) requesting that the Board, upon rehearing, will modify or set aside its order related to its decision entered as Order No. 2007-97 on June 15, 2007, regarding a petition by Lower 15 Oil Corporation. The application for rehearing relates to the petition bearing the docket number set forth hereinabove.

## 28. DOCKET NO. 10-3-07-12

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA for Operator, ENERGY RECOVERY GROUP., to show cause why the wells described hereinbelow located in the Baldwin, Covington, Conecuh, Mobile and Walker Counties, Alabama, should not be found in violation of Rule 400-1-6-.10 of the State Oil and Gas Board of Alabama Administrative Code relating to Site Maintenance and Rule 400-1-10-.01 of the State Oil and Gas Board of Alabama Administrative Code relating to Reports. Further pursuant to this Motion the Operator shall show cause why the wells described hereinbelow should not be ordered plugged and abandoned in accordance with Rule 400-1-4-.14 of the State Oil and Gas Board of Alabama Administrative Code relating to Plugging and Abandonment of Wells and the well sites and associated production facility sites restored in accordance with Rule 400-1-4-.16 of the State Oil and Gas Board of Alabama Administrative Code relating to Restoration of Location.

Baldwin County Wells

<u>Permit No</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
4548	Gulf State Park 7-13 #1	S7, T9S, R5E	Gulf State Park
5791	Smith et al Unit 38 #1	S38, T8S, R4E	Swifts Landing
6435	Dora Hand et al 32 #1	S32, T8S, R3E	South Weeks Bay
10036	Magnolia Land Co. 35-2 #1	S35, T7S, R3E	East Magnolia Springs
10037	Burnett 37 #1	S37, T8S, R4E	Oak

12325      Flowers Stewart 18-8      S18, T8S, R4E      Pleasant View

Covington County Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
6239	Paramount-Jeffers 17-9 #1	S17, T1N, R14E	West Falco
8788	Paramount-Federal 16-14 #1	S16, T1N, R14E	West Falco
9950-	Paramount- Federal 21-1 #1	S21, T1N, R14E	West Falco
SWD-91-12			
10489	Smak-Dixon 31-6 #1	S31, T3N, R15E	Pleasant Home
10632	Smak-Dixon 31-11 #1	S31, T3N, R15E	Pleasant Home
10735-B	Smak-Dixon 31-10 #1	S31, T3N, R15E	Pleasant Home
10874	Smak-Dixon 31-7 #1	S31, T3N, R15E	Pleasant Home
11023-	Smak-Dixon 31-10 SWD #1	S31, T3N, R15E	Pleasant Home
SWD-96-2			
11096-B	Smak-Murphy 13-4#1	S13, T3N, R14E	South Copeland Creek

Conecuh County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
12049-B	D. W. McMillan 31-15#1	S31, T4N, R10E	Juniper Creek

Mobile County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
4412-A	R. J. Newman et al 21-11#1	S21, T1S, R1W	Turnerville

Walker County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
3246	U. S. Steel 17-14#1	S17, T13S, R10W	Eldridge
5131	McPoland et al 7-16#1	S7, T13S, R10W	Eldridge
5132	McPoland et al 8-13#1	S8, T13S, R10W	Eldridge
5283	McPoland et al 8-7#1	S8, T13S, R10W	Eldridge
5539	U. S. Steel 8-10#1	S8, T13S, R10W	Eldridge
5622	U. S. Steel 9-12#1	S9, T13S, R10W	Eldridge
5916	Gordon Davis 17-12#1	S17, T13S, R10W	Eldridge
6254	McPoland et al 18-16#1	S18, T13S, R10W	Eldridge
6310	U. S. Steel 20-4#1	S20, T13S, R10W	Eldridge
6355	Calvin 19-2#1	S19, T13S, R10W	Eldridge
6388	Aultman 18-6#1	S18, T13S, R10W	Eldridge
6972	U. S. Steel 19-10#1	S19, T13S, R10W	Eldridge

Also, pursuant to this Motion the Operator shall show cause why these two plugged and abandoned wells, the Thomas W. Walters et al Unit 13-10#1 Well,

Permit No. 4758, and the Brantley et al Unit 32-13 #1 Well, Permit No. 5266, both of which were located in Baldwin County should not be found in violation of Rule 400-1-4-.15 of the State Oil and Gas Board of Alabama Administrative Code relating to Report of Well Plugging. Failure to comply with the Board's rules and regulations may result in the Board issuing fines or taking other sanctions against Operator, Energy Recovery Group. The Board may collect the proceeds of the well bond covering these wells and use the proceeds to plug and abandon wells and restore well locations.

29. DOCKET NO. 12-12-07-39

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to address the following oil and gas wells described hereinbelow located in Baldwin, Covington, Conecuh, Mobile and Walker Counties, Alabama, operated by ENERGY RECOVERY GROUP, LLC:

Baldwin County Wells

<u>Permit No</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
4548	Gulf State Park 7-13 #1	S7, T9S, R5E	Gulf State Park
5791	Smith et al Unit 38 #1	S38, T8S, R4E	Swifts Landing
6435	Dora Hand et al 32 #1	S32, T8S, R3E	South Weeks Bay
10036	Magnolia Land Co. 35-2 #1	S35, T7S, R3E	East Magnolia Springs
10037	Burnett 37 #1	S37, T8S, R4E	Oak
12325	Flowers Stewart 18-8	S18, T8S, R4E	Pleasant View

Covington County Wells

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
6239	Paramount-Jeffers 17-9 #1	S17, T1N, R14E	West Falco
8788	Paramount-Federal 16-14 #1	S16, T1N, R14E	West Falco
9950-	Paramount- Federal 21-1 #1	S21, T1N, R14E	West Falco
SWD-91-12			
10489	Smak-Dixon 31-6 #1	S31, T3N, R15E	Pleasant Home
10632	Smak-Dixon 31-11 #1	S31, T3N, R15E	Pleasant Home
10735-B	Smak-Dixon 31-10 #1	S31, T3N, R15E	Pleasant Home
10874	Smak-Dixon 31-7 #1	S31, T3N, R15E	Pleasant Home
11023-	Smak-Dixon 31-10 SWD #1	S31, T3N, R15E	Pleasant Home
SWD-96-2			
11096-B	Smak-Murphy 13-4#1	S13, T3N, R14E	South Copeland Creek

Conecuh County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
12049-B	D. W. McMillan 31-15#1	S31, T4N, R10E	Juniper Creek

Mobile County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
4412-A	R. J. Newman et al 21-11#1	S21, T1S, R1W	Turnerville

Walker County Well

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>	<u>Field</u>
3246	U. S. Steel 17-14#1	S17, T13S, R10W	Eldridge
5131	McPoland et al 7-16#1	S7, T13S, R10W	Eldridge
5132	McPoland et al 8-13#1	S8, T13S, R10W	Eldridge
5283	McPoland et al 8-7#1	S8, T13S, R10W	Eldridge
5539	U. S. Steel 8-10#1	S8, T13S, R10W	Eldridge
5622	U. S. Steel 9-12#1	S9, T13S, R10W	Eldridge
5916	Gordon Davis 17-12#1	S17, T13S, R10W	Eldridge
6254	McPoland et al 18-16#1	S18, T13S, R10W	Eldridge
6310	U. S. Steel 20-4#1	S20, T13S, R10W	Eldridge
6355	Calvin 19-2#1	S19, T13S, R10W	Eldridge
6388	Aultman 18-6#1	S18, T13S, R10W	Eldridge
6972	U. S. Steel 19-10#1	S19, T13S, R10W	Eldridge

An Involuntary Petition for Bankruptcy has been filed in the U.S. Bankruptcy Court, Eastern District of Texas, Case No. 06-41568 relating to Energy Recovery Group, LLC. In order to ensure that the subject wells are operated properly in accordance with the Alabama oil and gas laws and to ensure the protection of the citizens of Alabama, the Board may consider whether the transfer of operatorship is in the best interest of the State of Alabama. Various proposals for transfer or change of operator are being considered relating to the subject wells.

The jurisdiction of the State Oil and Gas Board of Alabama is set out in Section 9-17-1 et seq. of the Code of Alabama (1975). The Board may take any action it deems appropriate to ensure that the wells are operated properly and in accordance with Alabama oil and gas laws.

Hearings of the State Oil and Gas Board are public hearings, and members of the public are invited to attend and present their position concerning petitions. Requests to continue or oppose a petition should be received by the Board at least two (2) days prior to the hearing. The public should be aware that a petition may

1 be set for hearing on the first day or second day of the hearing or may be  
2 continued to another hearing at a later date. We suggest, therefore, that prior to  
3 the hearing, interested parties contact the Board to determine the status of a  
4 particular petition. For additional information, you may contact the State Oil and  
5 Gas Board, P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone  
6 Number 205/349-2852, Fax Number 205/349-2861, or by email at  
7 [petitions@ogb.state.al.us](mailto:petitions@ogb.state.al.us).  
8  
9

10 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of  
11 publication for the items appearing on the docket for the first time. These proofs of publication  
12 for the items on the May 12 & 13, 2008, docket are admitted into the record.

13 (Whereupon, the proofs of publication were  
14 received in evidence)

15 MR. ROGERS: Furthermore, copies of the information posted on the Website of the  
16 Secretary of State announcing these two meetings of the State Oil and Gas Board on May 12 &  
17 13 are also admitted into the record.

18 (Whereupon, posting of meetings on Secretary of  
19 State Website was received in evidence)

20 MR. ROGERS: I have an Order of the State Oil and Gas Board appointing me as  
21 Hearing Officer to conduct these hearings on behalf of the Board on May 12 & 13, 2008. The  
22 Orders will be made a part of the record at this time.

23 (Whereupon, the Orders were received in evidence)

24 DR. TEW: Mr. Rogers, I would like to make an announcement today. On Friday  
25 Governor Riley appointed two new members to the State Oil and Gas Board effective  
26 immediately. These gentlemen are James Griggs, known to many of us as Jim, who is presently  
27 at the Department of Conservation and Natural Resources in Montgomery and Charles Pearson,  
28 known to us as Ward Pearson, who is an attorney in Tuscaloosa, Alabama. The staff looks  
29 forward to working with these two new Board members as they begin their tenure on the Board.  
30 We also would like to express our appreciation to the many years of dedicated service of the two



1 outgoing Board members, Mr. Gaines McCorquodale and Mr. Steve Dampier. I just wanted to  
2 let the audience know that.

3 MR. ROGERS: Thank you, Dr. Tew. The procedure for this meeting is as follows: The  
4 Hearing Officer and the staff will hear the uncontested items on the docket today and tomorrow.  
5 I will recommend the following petitions be continued: Item 1, Docket No. 9-5-07-5, petition by  
6 Sundown Energy, LP; Item 2, Docket No. 9-5-07-6, petition by Sundown; Item 3, Docket No. 3-  
7 12-08-14, petition by Saga Petroleum LLC of Colorado; Item 4, Docket No. 3-12-08-16, petition  
8 by Saga; Item 6, Docket No. 4-14-08-2, petition by Sundown Energy, LP; Item 8, Docket No. 4-  
9 14-08-7, petition by Land & Natural Resource Development, Inc.; Item 9, Docket No. 4-14-08-  
10 8B, petition by Sundown Energy, LP; Item 12, Docket No. 5-12-08-3, petition by GeoMet, Inc.;  
11 Item 13, Docket No. 5-12-08-4, petition by GeoMet, Inc.; Item 14, Docket No. 5-12-08-5,  
12 petition by GeoMet, Inc.; Item 16, Docket No. 5-12-08-7, petition by Sundown Energy, LP; Item  
13 28, Docket No. 10-3-07-12, a Motion by the Board and Item 29, Docket No. 12-12-07-39, a  
14 Motion by the Board. I recommend that the following petitions be continued with the stipulation  
15 that the temporarily abandoned status for these wells be extended to the next regularly scheduled  
16 meeting of the Board: Item 22, Docket No. 5-12-08-13, petition by Durango Operating, LLC;  
17 Item 23, Docket No. 5-12-08-14, petition by Durango; Item 24, Docket No. 5-12-08-15, petition  
18 by Durango and Item 25, Docket No. 5-12-08-16, petition by Durango. Item 20, Docket No. 5-  
19 12-08-11, is a petition by SouthView Operating, LLC. I will request that this petition be  
20 dismissed without prejudice. The following petitions and motions will be heard by the Hearing  
21 Officer on Tuesday, May 13, 2008, at 10:00 a.m.: Item 5, Docket No. 3-12-08-17, petition by  
22 Saga Petroleum LLC of Colorado; Item 26, Docket No. 4-25-06-34, Motion by the State Oil and  
23 Gas Board of Alabama relating to Lower 15 Oil Corporation and Item 27, Docket No. 1-31-07-  
24 8A, a Motion for Rehearing by Lower 15 Oil Corporation. I should state that on those we don't  
25 actually intend to hear the substance of those petitions but for procedural reasons we are  
26 continuing them tomorrow and then we will set those at a later date. With respect to Saga, we do  
27 intend to hear that one. That will be heard and evidence presented on that. The following  
28 petitions are set for hearing by the Hearing Officer today: Item 7, Docket No. 4-14-08-6, petition

1 by Land and Natural Resource Development, Inc.; Item 10, Docket No. 5-12-08-1, petition by  
2 Bay Gas Storage Company, Limited; Item 11, Docket No. 5-12-08-2, petition by Sklar  
3 Exploration Company, LLC; Item 15, Docket No. 5-12-08-6, petition by HighMount Black  
4 Warrior Basin, LLC; Item 17, Docket No. 5-12-08-8A, petition by GeoMet, Inc.; Item 18,  
5 Docket No. 5-12-08-9, petition by GeoMet, Inc.; Item 19, Docket No. 5-12-08-10, petition by  
6 GeoMet, Inc. and Item 21, Docket No. 5-12-08-12, petition by SouthView Operating LLC. We  
7 also have an emergency petition set for hearing today, petition by Sklar Exploration Company,  
8 Docket No. 5-12-08-17. Information posted on the Website of the Secretary of State with  
9 respect to that emergency petition by Sklar is admitted into the record.

10 (Whereupon, information posted on Website of Secretary  
11 of State for the Board's emergency hearing on May 12,  
12 2008, was received in evidence)

13 MR. ROGERS: The first item today is Item 7, Docket 4-14-08-6, petition by Land and  
14 Natural Resource Development, Inc.

15 MR. WATSON: Mr. Rogers, I have one witness and would like to have him sworn in.

16 MR. ROGERS: Will you state your name and address?

17 MR. HIGGINBOTHAM: David Higginbotham, Tuscaloosa, Alabama.

18 (Witness was sworn by Mr. Rogers)

19 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice in this matter and  
20 would ask that it be admitted into the record.

21 MR. ROGERS: The affidavit of notice is admitted. At the same time we will admit the  
22 letter that the staff wrote requesting additional notice to royalty and working interest owners in a  
23 particular area. That letter from me dated April 22, 2008, is admitted and also the affidavit of  
24 notice that you requested.

25 (Whereupon, the affidavit and letter was received in evidence)

26 MR. WATSON: This is a request by Land and Natural Resource Development, Inc.  
27 requesting the Board to enter an order approving an exceptional location for a well on a 320-acre  
28 unit in the Coal Fire Creek Field, Pickens County, Alabama, as an exception to Rule 3(b) of

1 those Special Field Rules. Petitioner proposes to drill the Deerfield McCrary 27-15 No. 1 on a  
2 320-acre unit consisting of the East Half of Section 27, Township 18 South, Range 14 West,  
3 Pickens County in that Coal Fire Creek Field. My witness this morning is David Higginbotham,  
4 a petroleum geologist who has appeared before this Board and has on file an affidavit of his  
5 qualifications. Mr. Higginbotham, are you familiar with this petition and have you prepared  
6 exhibits in support of this exceptional location?

7 MR. HIGGINBOTHAM: Yes I have.

8 MR. WATSON: Mr. Rogers, I tender Mr. Higginbotham as an expert witness for giving  
9 testimony in this item.

10 MR. ROGERS: He is so recognized.

11 DAVID HIGGINBOTHAM

12 Appearing as a witness on behalf of Petitioner, Land and Natural Resource Development,  
13 Inc. testified as follows:

14 DIRECT EXAMINATION

15 Questions by Mr. Watson:

16 Q. I have handed up copies of your exhibits, Mr. Higginbotham, to the staff. Turn to Exhibit  
17 No. 1 and describe the information shown on that exhibit.

18 A. Exhibit No. 1 is a structure contour map on top of the Millerella marker. The contour  
19 interval is approximately 75 feet. The scale is 1-inch equals 1,000 feet. This map shows  
20 that the proposed location of the Deerfield McCrary is snuggled up next to a northwest  
21 trending fault that is downthrown to the northeast. The throw on this fault is defined by  
22 several fault cuts. The closest one to the Deerfield McCrary is to the northwest, the  
23 Land, Inc.-Joe Cook well, in which a 336 foot fault cut is present on the logs at a subsea  
24 depth of -3725. This structure contour map illustrates that the proposed location of the  
25 Deerfield McCrary defines the apex of the structure and consequently the highest  
26 structural point from which to encounter the Carter sand at the optimum geological  
27 condition to find gas economically.

- 1 Q. Mr. Higginbotham, if this well were to be drilled at a regular location in accordance with  
2 the Special Field Rules for the Coal Fire Creek Field, would that be a commercial  
3 success?
- 4 A. The geological risks would be increased significantly because you would be getting  
5 closer and closer to the fault and would be taking a considerable risk of the well being  
6 faulted out at the reservoir sand.
- 7 Q. Let's look at your second exhibit. Tell us what the exhibit is and describe the  
8 information shown on that exhibit, please sir.
- 9 A. Exhibit No. 2 is an isopach map of Carter sand permeability. This permeability map is  
10 based on microlog separation. It illustrates that the distribution of permeable sand in the  
11 vicinity of the proposed Deerfield McCrary is approximately 15 feet. The contour  
12 interval is five feet and the scale is 1-inch equals 1,000 feet.
- 13 Q. Your third exhibit appears to be a seismic line. Tell us why you have included that and  
14 what it shows.
- 15 A. Exhibit No. 3 is Seismic Line 123. Land and Natural Resource Development had this  
16 line reprocessed and interpreted by Charles Morrison, a geophysicist in Jackson who I  
17 have worked with on this. The seismic line illustrates that the fault cut is indeed  
18 seismically indicated at the position that we have shown on the structure contour map.
- 19 Q. Exhibit No. 4.
- 20 A. Exhibit No. 4 is a well location plat which illustrates the distance from each unit line of  
21 the proposed Deerfield McCrary.
- 22 Q. This well is 290 feet from the West line of the East Half unit in Section 27?
- 23 A. Yes sir, it is.
- 24 Q. And 470 feet from the South line?
- 25 A. That's correct.
- 26 Q. The Special Field Rules for this require 660 feet as a set back, so we have an exception to  
27 the south and an exception to the west. Is that right?
- 28 A. That's correct.

1 Q. The distance to the nearest well in the same producing formation is 3,270 feet?

2 A. That's correct.

3 Q. Your final exhibit, Exhibit No. 5. Tell us what it is and describe the information shown  
4 on that exhibit, Mr. Higginbotham.

5 A. The final exhibit is a fault plane map. This exhibit, better than any other exhibit that we  
6 have shown, illustrates very concisely the reason why we need an exceptional location on  
7 the Deerfield McCrary well. Land and Natural Resource Development has drilled several  
8 productive gas wells on this fault. In each of these wells there is a fault cut where you  
9 can correlate logs and you can pick the fault through missing sections. You can put your  
10 finger on it. You can take all the different fault cuts and then you can do a very simple  
11 geological technique called make a fault plane map. The fault plane map illustrates  
12 where the fault is at a particular depth. The nearest control we've got to the Deerfield  
13 McCrary well is to the northwest. It is Permit No. 3629 which is the Land, Inc.-Joe Cook  
14 well. It cuts the fault at a subsea depth of 3,210. There is a well that was drilled by Terra  
15 Resources back in the early 1980's, Permit No. 3871. That well cuts the fault at a subsea  
16 depth of 3,780. The nearest subsurface control to the southeast is located in Section 35.  
17 That is a well that was drilled by Petrus back in the 1980's. That well cut the fault at a  
18 subsea depth of 2,431. As you go further to the southeast along the fault you've got a  
19 well that cuts the fault drilled by Petrus again in Section 2. That well cuts the fault at a  
20 subsea depth of 2,431. When you go into Section 1 you've got four different wells that  
21 all cut the fault cut. All these wells are productive gas wells that were drilled by Land  
22 and Natural Resource Development within the last couple of years. What you do is take  
23 the points on all these wells and make a map on them. The map can be very, very  
24 accurate. Everywhere that you have control the map can be extremely accurate but in  
25 those areas in between your control points there is a degree of interpretation involved. If  
26 you look on this map you will see an area that I have indicated as interpretative area. It  
27 has a red arrow going to the northwest and a red arrow going to the southeast. It is within  
28 this area that you can't say exactly what is going on between the wellbores. The reason

1 for that, out here when rocks get faulted and break it is like dropping a piece of glass. If  
2 you drop a piece of glass on this table you would have one point over there and one point  
3 over here and you could say, well if you connect the two points it is a straight line. Now,  
4 if you actually looked and followed the crack of the glass that crack would be weaving  
5 back and forth. I've got a well point in Section 27 which is the Joe Cook well and the  
6 Terra well in 27 and I've got a well point down here in Section 35 that was drilled by  
7 Petrus. I've got two points. Now, I can straight line those two points, and that is what I  
8 have done on the fault map, and say that theoretically I can get within five feet of where  
9 the fault is, but nature don't work that way. The fault is actually a fault zone. These are  
10 hard rocks and the fault is a series of cracks and breaks that are weaving in and out back  
11 and forth between these two wells. That area of potential cracks and rocks and fault  
12 zones I have illustrated by the yellow line here called the fault out risk zone. If we were  
13 to move the Deerfield McCrary to a legal location we just might get a good well but there  
14 is a greater risk that if we drill a legal location that we are going to get faulted out. That  
15 is why we need the exceptional location. The geological risk of drilling a legal location  
16 is greatly increased. These wells cost a lot of money to drill. If you drill a well up here  
17 and you get faulted out, the game is done. Any gas that is down there probably is not  
18 going to get found. That's why we need an exceptional location on this Deerfield  
19 McCrary.

20 Q. Conversely, if there is any gas down there it is likely to be produced from an offset well  
21 and the owners in that East Half unit are not properly compensated for that drainage. Is  
22 that also a possibility?

23 A. That's correct.

24 Q. Now, in looking at your Exhibit 1 and in looking at your Exhibit 5, the fault plane map,  
25 one could possibly conclude from Exhibit No. 1 that the area northeast of the fault, the  
26 downthrown to the northeast fault, would lead to the conclusion that there is a great part  
27 of that east half of the section that would not contribute to that wellbore. Is that an  
28 accurate assumption or an inaccurate assumption?

1 A. Well, we don't really know how much of the east half is going to contribute. The reason  
2 we don't know that is for two reasons: (1) we don't know exactly what the fault angle is  
3 over this area where the Deerfield McCrary is. We know it is a fault zone and (2) we  
4 don't know that the downthrown side is not contributing gas.

5 Q. The reason we are making this request to the Board today is to drill this well at the  
6 optimum geological location based on the geological information available to you today.  
7 Is that right?

8 A. That's correct.

9 Q. Would the granting of that petition protect the correlative rights of the parties in the east  
10 half?

11 A. Yes it would.

12 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of today's  
13 hearing Exhibits 1 through 5 to the testimony of Mr. Higginbotham.

14 MR. ROGERS: The exhibits are admitted subject to them being signed.

15 (Whereupon, the exhibits were received in evidence)

16 Q. Mr. Higginbotham, would the granting of this petition prevent waste and protect  
17 correlative rights?

18 A. Absolutely.

19 MR. WATSON: I tender my witness to the Board and staff for any questions you have.

20 DAVID HIGGINBOTHAM

21 EXAMINATION BY BOARD/STAFF

22 Questions by Mr. Masingill:

23 Q. Mr. Higginbotham, I know you testified that a well drilled at a 660, 660 regular location  
24 would be an unacceptable risk. How about a well 330 off the west line of the unit?

25 Would that be an unacceptable risk?

26 A. No, actually I thought about that but if you go out here and you look at all the wells that  
27 have been drilled, they all drift updip. They all drift northeast. The surface location that

1           you pick, when you drill down to the depth of the Carter sand it is going to be further  
2           northeast, the bottom hole location, because every single well out here does that.

3                               DAVID HIGGINBOTHAM

4                               DIRECT EXAMINATION

5   Questions by Mr. Watson:

6   Q.     So your response is that a 330 location would put the bottom of the hole at the Carter  
7           location much closer to that fault?

8   A.     Yes much closer. I'm sure.

9                               DAVID HIGGINBOTHAM

10                            EXAMINATION BY BOARD/STAFF

11   Questions by Mr. Masingill:

12   Q     So that would be an unacceptable risk. Is that correct?

13   A.     That's correct.

14   Questions by Mr. Raymond:

15   Q.     This being an exceptional location if the Board approves it, you realize that a directional  
16           survey will be required. Do you plan to run a directional survey to determine the bottom  
17           hole location in the well?

18   A.     Sure, we can do that.

19   Q.     If the well is brought in as a producer, do you have plans for future drilling in the area?

20   A.     We will test the well and see what the well does. Nothing would make me happier than  
21           to drill a bunch of wells and get about six different pay zones in there. Sure, if we find  
22           commercial production we will try to develop the field. We have demonstrated that we  
23           are willing to do that economically down in Section 1. We've got three wells producing  
24           from three different reservoirs in the North Half of Section 1. Sure, we will do that.

25   Q.     Is it possible that a well could be drilled in Section 34 to the south?

26   A.     Sure. Absolutely.

27   Q.     That will be considered?

28   A.     Absolutely.



1 MR. ROGERS: Mr. Watson, we have this letter requesting 2-D seismic be confidential.  
2 Do you need to deal with that?

3 MR. WATSON: Yes, Mr. Rogers. I would ask that you accept that letter into the record  
4 and rule that that seismic line along with the affidavit of confidentiality that I submitted be  
5 determined to be confidential and not available to the public but yet available to the staff  
6 pursuant to the appropriate sections of the Code that allow that request.

7 MR. ROGERS: Are you referring to Exhibit No. 3, Mr. Watson?

8 MR. WATSON: Yes.

9 MR. ROGERS: The letter from Mr. Watson dated April 8 and the attached affidavit,  
10 those two items are admitted.

11 (Whereupon, the letter, affidavit and attached  
12 seismic was received in evidence)

13 MR. ROGERS: The Chair rules that the seismic data is confidential and propriety and  
14 unavailable for public disclosure.

15 MR. WATSON: Thank you, Mr. Rogers.

16 DAVID HIGGINBOTHAM

17 DIRECT EXAMINATION

18 Questions by Mr. Watson:

19 Q. Let me ask Mr. Higginbotham one other question in following up Mr. Raymond's  
20 question there. I'm curious, Mr. Higginbotham, and this is a simple question of curiosity.  
21 One would have to admit that gas prices are at a record high. Would you agree to that?  
22 Natural gas prices are at a record high. Is that a true statement?

23 A. That's correct.

24 Q. You referred to how many wells your company has drilled in there. How much activity  
25 is going on in the Black Warrior Basin looking for conventional gas today?

26 A. Absolutely none other than what we are doing.

27 Q. Nobody else is drilling?

28 A. Sundown Energy but I'm the one who is doing stuff for Sundown Energy.

1 Q. Your response to Mr. Raymond's question would there be additional drilling if this well  
2 proves to be successful was in the affirmative, that there would be additional drilling in  
3 the section below and elsewhere as you have demonstrated by those wells in Section 1,  
4 right?

5 A. Absolutely. We demonstrated our willingness to drill wells and find gas. We've got the  
6 acreage. We control the whole area, so sure.

7 MR. ROGERS: One note that under the statute you mentioned one of the grounds for an  
8 exceptional location, the optimum location for the drilling of the well. Another one that would  
9 apply is if the unit is partly outside the pool. So, that's another ground there, statutory ground  
10 for an exceptional location.

11 MR. WATSON: Yes.

12 MR. ROGERS: Anything else, Mr. Watson?

13 MR. WATSON: That's all we have.

14 MR. ROGERS: If you will sign the exhibits. Do you mind signing these Mr. Watson  
15 because we have already stamped them in, just have David sign them.

16 MR. WATSON: Sure, he can do that.

17 MR. ROGERS: We will review the evidence and make a recommendation to the Board.  
18 The next item is Item 10, Docket No. 5-12-08-1, petition by Bay Gas Storage Company Limited.

19 MR. WATSON: Mr. Rogers, I do not represent Bay Gas Storage but I have been asked  
20 by Connie Armbricht to stand in for him this morning to ask that you include in the record of  
21 this hearing the prefiled information, the affidavit of testimony relative to Bay Gas Salt Dome  
22 Gas Storage Facility No. 3 at McIntosh. I would hand that up to you this morning and ask that  
23 you include that prefiled information into the record and that you make your recommendation to  
24 the Board based on the evidence and testimony contained in those prefiled documents.

25 MR. ROGERS: We have Exhibit No. 1, an affidavit executed by John Pirraglia, Vice  
26 President of Operations for Bay Gas. Exhibit No. 2 is a permit application for Bay Gas Storage  
27 Limited on this well. Exhibit 3 is another permit application. Exhibit 4 is a letter from Mr.  
28 Armbricht and Exhibit 5 is a letter from Dr. Tew relating to this matter. In that letter Dr. Tew

1 states that it is not necessary for Bay Gas Storage to obtain approval of the Board prior to  
2 commencing injection of gas; however, that Bay Gas will file a petition and the petition is the  
3 subject of this hearing. Those four exhibits are admitted into the record.

4 (Whereupon, the exhibits were received in evidence)

5 MR. ROGERS: Anything else, Mr. Watson?

6 MR. WATSON: That's all.

7 MR. ROGERS: Also, we will place this in the file, a summary of qualifications for Mr.  
8 Pirraglia. I will give that to Ms. Estes. Anything else on that, Mr. Watson?

9 MR. WATSON: No sir.

10 MR. ROGERS: We will review the evidence and make a recommendation to the Board.  
11 The next item is Item 11, Docket No. 5-12-08-2, petition by Sklar Exploration Company, LLC  
12 requesting to add to the Little Cedar Creek Field, amend the field rules to add certain lands to the  
13 Little Cedar Creek Field.

14 MR. WATSON: Again, Mr. Rogers, I do not represent Sklar but on behalf of Connie  
15 Armbrecht I am appearing here this morning to ask that you receive into the record of this  
16 hearing an affidavit of personal notice filed by Mr. Armbrecht along with an affidavit of  
17 testimony of Cory J. Ezelle and exhibits in support of the amendment to the Special Field Rules  
18 for the Little Cedar Creek Field, all bearing Docket No. 5-12-08-2 where Sklar proposes to add  
19 additional tracts to the Little Cedar Creek Field. Mr. Ezelle has been before this Board and his  
20 qualifications as an expert have been received and his affidavit and his exhibits in support of this  
21 addition of two 160-acre unit tracts to the field, I will submit to you now and ask that they be  
22 included in the record.

23 MR. ROGERS: All right. All those items are admitted. Those items were an affidavit of  
24 notice submitted by Mr. Armbrecht, the affidavit of testimony by Cory Ezelle and attached to his  
25 affidavit are five exhibits. All those exhibits are admitted into the record.

26 (Whereupon, the affidavits and exhibits were received in evidence)

1 MR. ROGERS: Any questions from the staff? The staff will review the evidence and  
2 make a recommendation to the Board. The next item is Item 15, Docket No. 5-12-08-6, petition  
3 by HighMount Black Warrior Basin, LLC.

4 MR. WATSON: I have one witness to be sworn in, Mr. Rogers.

5 MR. ROGERS: Will you state your name and address?

6 MR. HUTCHINGS: Steve Hutchings, Mobile, Alabama.

7 (Witness was sworn by Mr. Rogers)

8 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice in this matter and  
9 would ask that it be made a part of the record.

10 MR. ROGERS: The affidavit of notice is admitted.

11 (Whereupon, the affidavit was received in evidence)

12 MR. WATSON: This is a request by HighMount Black Warrior Basin, Inc. to reform an  
13 80-acre unit consisting of the North Half of the Southeast Quarter of Section 1, Township 18  
14 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification  
15 Field to a 40-acre unit consisting of the Northwest Quarter of the Southeast Quarter of said  
16 Section 1. My witness, Steve Hutchings, a petroleum land man has appeared before this Board  
17 and has on file an affidavit of his qualifications as a petroleum land man. Mr. Hutchings, are you  
18 familiar with this petition that I have just described to the Board?

19 MR. HUTCHINGS: Yes sir.

20 MR. WATSON: You are aware of the ownership in this 80-acre unit?

21 MR. HUTCHINGS: Yes sir.

22 MR. WATSON: I tender him as an expert witness, Mr. Rogers.

23 MR. ROGERS: He is so recognized.

STEVE HUTCHINGS

Appearing as a witness on behalf of Petitioner, HighMount Black Warrior Basin, LLC,  
testified as follows:

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Let me ask you about the ownership in this 80-acre unit. Is it diverse or common?

A. It is common.

Q. Who is the owner of the 80 acres?

A. The Rice Marital Trust.

Q. Have you made contact with representatives of the Rice Marital Trust seeking their consent for this unit reformation for the purpose of drilling another well in this 80-acre unit?

A. Yes sir.

Q. What has been the response, if any?

A. On at least four occasions I talked to Mr. Bill Rice. I think our original letter was dated February 21<sup>st</sup>. Three of the conversations occurred in March, one about three weeks ago, when I told him our surface use issues had been resolved. There was never any opposition Mr. Rice raised. He indicated that he and his mother would sign the consent letter but as of this morning I still do not have the letter. I dropped off a second letter Friday morning at his office just in the event that he had misplaced the first package. As of 9:30 this morning I have had no telephone calls or anything from Mr. Rice.

Q. That's pretty typical of Bill Rice. He is a busy business man and sometimes gets around to these things and sometimes does not. Is that a fair statement?

A. That is a fair statement based on our experience last year. We reformed a unit that included the Rice Marital Trust and about a month after the hearing we got our consent letter back and I think we did file it with the staff.

Q. You would do that in this case if and when Mr. Rice signs that consent letter, he and his mother, correct?

1 A. That is correct.

2 Q. Again, this is common ownership. We are not taking anyone out of the unit. The Rice  
3 Family Trust simply gets a second well. Is that right?

4 A. That is correct.

5 MR. WATSON: Mr. Rogers, I have also handed up and would ask that you incorporate  
6 into the record an affidavit of testimony of Robert T. Wood, a petroleum geologist, in support of  
7 this unit reformation.

8 MR. ROGERS: The affidavit is admitted.

9 (Whereupon, the affidavit with attached  
10 plat was received in evidence)

11 Q. Mr. Hutchings, would the granting of this petition reforming this unit to allow  
12 HighMount Black Warrior to drill a second well in this 80-acre unit promote orderly  
13 development, prevent waste, and protect correlative rights?

14 A. Yes sir.

15 MR. WATSON: I tender the witness to the staff for any questions you have on this item.

16 MR. ROGERS: Mr. Watson, we have this plat. Do you request that that be admitted?

17 MR. WATSON: Yes.

18 MR. ROGERS: We have a plat from HighMount showing that second well.

19 MR. WATSON: That should be attached to Mr. Wood's affidavit. Mr. Rogers, if you  
20 don't have that attached I have one that has it attached.

21 MR. ROGERS: It is. I'm sorry. Those two exhibits then were admitted. Any questions  
22 from the staff? The staff has no questions. We will review the evidence and make a  
23 recommendation to the Board.

24 MR. WATSON: Thank you.

25 MR. ROGERS: The next item is Item 17, Docket No. 5-12-08-8A, petition by GeoMet,  
26 Inc.

1 MR. WATSON: I have one witness and would like to have him sworn in, Mr. Rogers.

2 MR. ROGERS: Will you state your name and address?

3 MR. BURNS: Terry Burns, Tuscaloosa, Alabama.

4 (Witness was sworn by Mr. Rogers)

5 MR. WATSON: Mr. Rogers, could I get you to consolidate Docket Nos. 5-12-08-8, 5-  
6 12-08-9 and 5-12-08-10 for hearing purposes as these are related items.

7 MR. ROGERS: That request is granted and these items are all consolidated.

8 MR. WATSON: I would ask that you also receive into the record of this hearing the  
9 prefiled affidavits of notice in these items.

10 MR. ROGERS: That request is granted. Those affidavits are admitted.

11 (Whereupon, the affidavits were received in evidence)

12 MR. WATSON: This is a request by GeoMet, Inc. asking the Board to approve a 160-  
13 acre wildcat drilling unit in Blount County, Alabama, for the purpose of drilling a horizontal  
14 well. We are also asking the Board to approve an exceptional location for this well and also an  
15 exception to the statewide rules for the completion of this well. Those are the three items that we  
16 are consolidating for hearing purposes here today. Mr. Burns has appeared before you and has  
17 on file an affidavit of his qualifications as a petroleum geologist. Mr. Burns, are you familiar  
18 with the petitions that I have just described for the drilling of the Moon 20-05-06 well in Blount  
19 County, Alabama?

20 MR. BURNS: Yes sir.

21 MR. WATSON: I tender him as an expert witness for giving testimony in this item, Mr.  
22 Rogers.

23 MR. ROGERS: He is so recognized.

TERRY BURNS

Appearing as a witness on behalf of Petitioner, GeoMet, Inc., testified as follows:

DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Mr. Burns, let's look at your Exhibit No. 1 which is a map of the geology of Alabama. Tell us what is shown on that exhibit and then I want to ask you some questions about that.

A. The purpose of the exhibit is to give the Board and staff members and idea of where the geographic location is of GeoMet's pilot project located in Blount County. The general area of the project is signified by the red dot on the map. It is located about a mile and a half to two miles south of the community of Cleveland, Alabama. Geologically, the pilot project is located along the flanks of the Coalburg syncline very near the axis of the syncline as shown on the map which is southeast of the Sequatchie anticline that is also shown for reference.

Q. We appeared before this Board at a previous hearing and asked the Board to approve basically the same kind of request that we are here today on for the drilling of the Fallin 30-07-03 Well in Blount County. Is that right?

A. Yes sir.

Q. Now before we get into this request, let's update the staff on the status of that horizontal well that this Board approved at a previous hearing.

A. The well was spud on March 25<sup>th</sup> and we TD'd the well on April 17<sup>th</sup>. The well last week just commenced producing. A pump was run and production test has begun. We are currently undergoing plans to design a stimulation program for the well.

Q. I'm going to hand up for inclusion in this record today if the staff chooses to take it, a plat showing this well as drilled, the as-built horizontal borehole.

A. Yes sir, that's correct.

Q. Were you successful in getting that horizontal well drilled as you had anticipated?



1 A. We did not reach the total depth that we had planned to. If I'm not mistaken, the original  
2 plan called for close to a 4,600 foot total depth of the vertical curve and lateral section.  
3 The TD of this well was 3,705. There were some issues that arose on location that led us  
4 to make the decision to cut the TD short.

5 Q. At the toe of that horizontal, according to this plat, we are about 844 feet from the East  
6 line of the Northeast Quarter of Section 30?

7 A. Yes sir.

8 MR. WATSON: Mr. Rogers, I'm going to hand up a copy of this plat just for  
9 information purposes. You can share it with the staff or include it in the record, whatever your  
10 pleasure. My purpose for handing this up to you is to give you the experience factor of GeoMet  
11 in this area as it is somewhat unusual as we now go to our second proposed project in Blount  
12 County.

13 Q. Let's turn to your Exhibit No. 2 for the proposed Moon 20-05-06 well. Tell us what your  
14 drilling plans are based on this plat.

15 A. Our drilling plan as you stated earlier is very similar to the Fallin 30-07-03 well where we  
16 will plan on drilling a vertical section down in the--with a surface location being the  
17 southwest of the northwest of Section 20 down to a depth of plus or minus 1,550 to 1,600  
18 feet, set 7-inch casing and then begin building our curve and then drill in a northeasterly  
19 direction to the footage that is allowable toward the northeastern quarter of that quarter  
20 section.

21 Q. According to this plat you are proposing the toe of this horizontal wellbore will be 330  
22 feet from the East line and 533 feet from the North line of the northwest quarter. Is that  
23 right?

24 A. That's correct.

25 Q. Our surface location being 686 feet from the West line and 620 feet from the South line  
26 of that northwest quarter makes the direction to the south line an exception as well as the  
27 distal end or the toe of this horizontal, all of which are exceptional locations under the  
28 660 setback for 160-acre wildcats. Is that right?

1 A. Yes sir.

2 Q. All right. Let's look at your next exhibit, Exhibit No. 3, Mr. Burns. Describe the  
3 information shown on this exhibit.

4 A. This is an inferred structure map and is signified by the dashed lines and the contours.  
5 This is a 200 foot contour interval. It is inferred simply because in this region GeoMet  
6 has provided the subsurface information. This is on the top of the Chattanooga shale  
7 which is our primary objective with the structural or the subsea elevations shown at each  
8 well location. I may mention that in September and November respectively of 2007 we  
9 drilled two vertical wells that were production test wells in the Chattanooga. Those are  
10 both shown, one in the southwest of the southeast of Section 19 and the other in the  
11 northeast of the northwest of Section 30. The Fallin well is also shown in the Northeast  
12 Quarter of Section 30 with the as-built lateral shown as well. Based on these subsea tops  
13 you can see that we believe that we are near the axis of this syncline.

14 Q. Let's go to your Exhibit No. 4. This will give us a representation of the entire project,  
15 both the vertical and the horizontal legs of this well. Describe the information shown  
16 there, Mr. Burns.

17 A. This is to give you an idea of the geology that will be penetrated. We will begin this well  
18 in the Pottsville formation. Below the Pottsville is the Bangor limestone at roughly 800  
19 feet or so. Below that we will encounter the Hartselle, Pride Mountain, Tuscumbia/Ft.  
20 Payne undifferentiated zone, and a little bit of Maury shale, 2.5 feet or so in thickness,  
21 and then the Chattanooga below which we estimate is around 40 feet. Our drilling plan is  
22 to set approximately 500 feet of surface casing, 9 5/8-inch surface pipe, and then drill  
23 with an 8 3/4 hole down to about 1,550 or so and cement 7-inch casing and then begin  
24 drilling our lateral and leave the curve portion and the lateral at this time open hole.

25 Q. That is the exception that we are asking for under Rule 400-1-4-.09(2)(c) of the  
26 Administrative Code which requires that you put cement across any zone which may  
27 contain hydrocarbons. Just like the previous well, you propose to leave that open. Is that  
28 right?

1 A. Yes sir, that's correct.

2 Q. This is all one operation. You will drill the vertical well and move straight on into  
3 drilling the horizontal portion of that well without just drilling down and checking the  
4 formation. You think you have sufficient control just to make this one continuous  
5 operation. Is that right?

6 A. Right. The only reason it might not be completely continual would be a different rig  
7 contractor will drill the vertical portion and then will move off and another rig will  
8 handle the horizontal drilling.

9 Q. Right. That's understood. That's the same way you did the other well, correct?

10 A. Yes, that's right.

11 MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing  
12 Exhibits 1 through 4 to the testimony of Mr. Burns.

13 MR. ROGERS: The exhibits are admitted.

14 (Whereupon, the exhibits were received in evidence)

15 Q. Mr. Burns, would the granting of these three petitions approving the exceptional location,  
16 the 160-acre exceptional unit rather than a 40-acre unit, and an exception to the rule that  
17 requires cement to be set across any zone that may have gas, would the granting of those  
18 three petitions allow you to test by the horizontal wellbore the potential gas in this  
19 Chattanooga shale?

20 A. It will.

21 Q. Would this 160-acre unit, if it is approved, provide for orderly development of this shale  
22 gas area if it proves to be productive in Blount County?

23 A. We believe it would.

24 Q. Would the granting of these three petitions prevent waste and protect correlative rights?

25 A. It would.

26 MR. WATSON: I tender Mr. Burns for any questions you have on his exhibits or his  
27 testimony, Mr. Rogers.

28 MR. ROGERS: Mr. Watson, do you want to admit this other exhibit that you submitted?

1 MR. WATSON: I think it would be good to have that in the record on the first horizontal  
2 well that they drilled in Blount County. We will make that Exhibit No. 5.

3 MR. ROGERS: Why don't you sign it, Terry, and we will admit it into the record. That  
4 exhibit is admitted.

5 (Whereupon, the exhibit was received in evidence)

6 MR. ROGERS: Any questions from the staff?

7 Q. I might ask Mr. Burns because of the bifurcated nature of the hearing, when do you plan  
8 to spud this well?

9 A. We would like to be in a position to spud the well toward the end of this month.

10 MR. ROGERS: Anything else? The staff will review the evidence and make a  
11 recommendation to the Board.

12 MR. WATSON: Thank you.

13 MR. ROGERS: The last item is Item 21, Docket No. 5-12-08-12, petition by SouthView  
14 Operating, LLC.

15 MR. WATSON: I would like to continue that to the next hearing of the Board. By the  
16 time you meet again we may have all that leased. For your information, this is the item on behalf  
17 of SouthView Operating where I prefiled an affidavit of notice and with your assistance we  
18 noticed the U.S. Internal Revenue Service. As it turns out, the U.S. Internal Revenue Service  
19 does not own an interest in this particular unit and I have asked the title examining lawyer to  
20 prepare a letter to Dr. Tew which I would like to hand up today for your review prior to this  
21 matter coming back up and would ask that it be made a part of the record.

22 MR. ROGERS: Would you like to make that a part of the record of this hearing?

23 MR. WATSON: Yes and ask for a continuance of this item.

24 MR. ROGERS: The letter to Dr. Tew is admitted.

25 (Whereupon, the letter was received in evidence)

26 MR. WATSON: And continue this to your next regular hearing for this session, May  
27 23<sup>rd</sup> or tomorrow.

May 12, 2008

1           MR. ROGERS: We will continue it then until tomorrow, put it on tomorrow's docket  
2 and see where we go from there.

3           MR. WATSON: That's all I have.

4           MR. ROGERS: Anything else for this hearing? The hearing is adjourned.

5                       (Whereupon, the hearing was adjourned at 10:45 a.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Monday, May 12, 2008, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer in Regular Session; that the foregoing 39 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

I further certify that I am neither kin or counsel to the parties to said cause, nor in any manner interested in the results thereof.

  
Rickey Estes  
Hearing Reporter